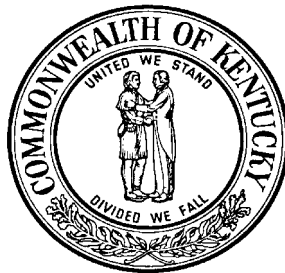


**REPORT OF THE AUDIT OF THE
WAYNE COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bruce Ramsey, Wayne County Judge/Executive
Honorable Carol Jones, Wayne County Clerk
Members of the Wayne County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Wayne County, Kentucky, for the year ended December 31, 2001.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Wayne County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
WAYNE COUNTY CLERK**

Calendar Year 2001

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Certified Public Accountants and Fraud Examiners
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY CLERK

Calendar Year 2001

Berger & Ross, PLLC, has completed the Wayne County Clerk's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects

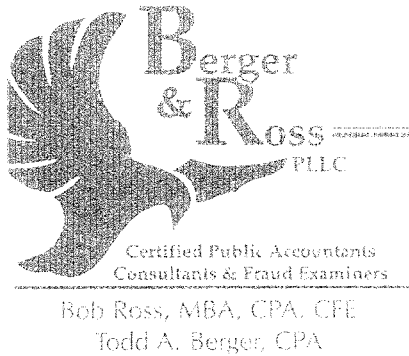
Financial Condition

Excess fees increased by \$26,208 from the prior calendar year, resulting in excess fees of \$127,146 as of December 31, 2001. Revenues increased by \$76,383 from the prior year and disbursements increased by \$50,175.

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Kentucky Association of Certified Public Accountants
National Association of Public Accountants
National Association of Tax Professionals
Chartered Certified Public Accountants Association

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Wayne County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
June 6, 2002

WAYNE COUNTY
CAROL JONES, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Grant \$ 11,144

State Fees for Services 8,110

Fiscal Court 10,118

Licenses and Taxes:

Motor Vehicle -

Licenses and Transfers \$ 441,438

Usage Tax 821,407

Tangible Personal Property Tax 986,977

Licenses -

Fish and Games 6,718

Marriage 5,762

Occupational 1,407

Lien Fees 5,113

Deed Transfer Tax 37,265

Delinquent Tax 83,398 2,389,485

Fees Collected for Services:

Recordings -

Deeds, Easements, and Contracts \$ 16,895

Real Estate Mortgages 34,311

Chattel Mortgages and Financing Statements 68,250

All Other Recordings 25,316

Charges for Other Services -

Candidate Filing Fees 2,120

Copy Work, Postage and Miscellaneous 3,864 150,756

Other:

Fax Work \$ 415

Refunds 10,959

Loan Received From 2000 Fee Account 5,000

Unpresented Checks 301

Repayment of Loan Made to 2002 Fee Account 5,000

Cash Drawer 400

Recycling License Plates 95

Notarization Fees 8,605

Overage 450 31,225

Interest Earned 2,532

Total Receipts \$ 2,603,370

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
 CAROL JONES, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 337,403	
Usage Tax	796,272	
Tangible Personal Property Tax	375,122	
Licenses and Fees-		
Fish and Game	6,718	
Delinquent Tax	12,263	
Legal Process Tax	20,294	
Candidate Filing Fees	1,260	\$ 1,549,332

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 76,606	
Delinquent Tax	8,355	
Deed Transfer Tax	35,278	
Occupational Licenses	1,211	
Reimbursement of Tax Bills	1,982	123,432

Payments to Other Districts:

Tangible Personal Property Tax	\$ 497,486	
Delinquent Tax	38,958	536,444

Payments to Sheriff 1,632

Payments to County Attorney 12,269

State Grant:

Library and Archives Grant Expenditures - Indexing 11,144

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 142,707

Contracted Services-

Printing and Binding 3,961

Deed Indexing 1,700

Supplies and Materials-

Office Supplies 958

Other Charges-

Conventions and Travel 1,278

Dues 550

Postage 51

Equipment Maintenance 240

Refunds 9,702

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
 CAROL JONES, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Other Charges- (Continued)

Loan to Subsequent Year and Prior Year Loan Paid	\$ 10,000	
Cash Drawer	<u>400</u>	\$ 171,547

Capital Outlay

Office Equipment		<u>\$ 3,329</u>
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Total Disbursements		<u>\$ 2,409,129</u>
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Net Receipts		\$ 194,241
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Less:

County Clerk's Statutory Maximum	\$ 61,306	
County Clerk's Training Incentive	<u>2,189</u>	<u>63,495</u>

Excess Fees		\$ 130,746
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Less: Expense Allowance		<u>3,600</u>
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Excess Fees Due County for Calendar Year 2001		\$ 127,146
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Payments to County Treasurer-

January 10, 2002	\$ 80,000	
February 24, 2002	35,000	
June 6, 2002	<u>12,146</u>	<u>127,146</u>

Balance Due at Completion of Settlement		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's Office to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. The county's contribution rate for non-hazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

WAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. The County Clerk met the requirements stated above, and as of December 31, 2001, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Grant

The County Clerk received a local records indexing grant from the Kentucky Department for Libraries and Archives in the amount of \$20,500. Funds totaling \$11,144 were expended during calendar year 2001. The unexpended grant balance is \$0 as of December 31, 2001.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants
Consultants & Fraud Examiners
Bob Ross, MBA, CPA, CFE
Todd A. Berger, CPA

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Members:

James H. Hays, Jr., Chairman
James H. Hays, Jr., President
James H. Hays, Jr., Vice President
James H. Hays, Jr., Secretary
James H. Hays, Jr., Treasurer
James H. Hays, Jr., Controller
James H. Hays, Jr., General Counsel
James H. Hays, Jr., Chief Executive Officer

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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements and excess fees of the Wayne County Clerk for the year ended December 31, 2001, and we have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Wayne County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wayne County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit Fieldwork completed –
June 6, 2002

